

BURLINGTON COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

## Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-15
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 16
Statement of Activities	B 17
Governmental Fund Financial Statements:	
Balance Sheet	C 18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 19
Statement of Revenues, Expenditures and Changes in Fund Balances	E 20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 21
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 22
Statement of Revenues, Expenses and Changes in Net Assets	H 23
Statement of Cash Flows	I 24
Notes to Basic Financial Statements	25-34
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	35
Notes to Required Supplementary Information - Budgetary Reporting	36
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	1 37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 38
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 39-40
Schedule of Changes in Special Revenue Fund, Expendable Trust Accounts	4 41-42
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	5 43
Schedule of Expenditures of Federal Awards	6 44-45
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	46-47
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	48-49
Schedule of Findings and Questioned Costs	50-53

Burlington Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2005 Election)</b>		
Forrest Krummel	President	2007
Melanie Richardson	Vice President	2005
Tom Greene	Board Member	2005
Joseph Poisel	Board Member	2006
Linda Garwood	Board Member	2006
Donald Harter	Board Member	2006
Tracy Ekman	Board Member	2007
<b>Board of Education (After September 2005 Election)</b>		
Forrest Krummel	President (Resigned)	2007
Melanie Richardson	President	2008
Joseph Poisel	Board Member	2006
Linda Garwood	Board Member	2006
Donald Harter	Board Member	2006
Tracy Ekman	Board Member	2007
Tom Greene	Board Member	2008
Scott Smith	Board Member (Appointed)	2006
<b>School Officials</b>		
Mike Book	Superintendent	2006
Chris Van Meter	District Secretary/Treasurer and Business Manager	2006
Sue Sietz	Attorney	2006

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Burlington Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Burlington Community School District, Burlington, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Burlington Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2006 on our consideration of the Burlington Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 15 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Burlington Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2005 (which none are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

November 1, 2006

## **BURLINGTON COMMUNITY SCHOOL DISTRICT**

### **Management's Discussion and Analysis**

June 30, 2006

As management of the Burlington Community School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the financial statements.

### **FINANCIAL HIGHLIGHTS**

- On May 23, 2005, Horace Mann Middle School experienced a devastating fire. The district received insurance payments in the amount of \$860,866 for services and property replacement related to the fire during fiscal year 2006.
- The District's total net assets of governmental activities increased \$702,294. This is primarily due to the increase in net capital assets during the year and the insurance proceeds from the Horace Mann fire.
- General revenues accounted for \$36.4 million of the government-wide revenue, or 82.18% percent of all fiscal year 2006 revenues. Program specific revenues in the form of charges for services and grants, and contributions accounted for \$7.9 million or 17.82% percent of total fiscal year 2006 revenues.
- The District had approximately \$42.1 million in expenses related to governmental activities; of which \$6.4 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$36.4 million provided for the remaining costs of these programs.
- The State of Iowa Department of Revenue and Finance reached a three-year property settlement with Interstate Power and Light Company for excessive valuation of utilities. Des Moines County reduced the district's property tax askings by \$62,775 (\$54,328 general fund) for the 3<sup>rd</sup> year of this settlement.
- The General Fund had \$35.5 million in fiscal year 2006 revenues, which primarily consisted of state aid and property taxes, and \$35.3 million in expenditures. The General Fund's fund balance increased from \$4.3 million as of June 30, 2005 to \$4.5 million as of June 30, 2006 mainly due to increased interest and tuition revenues.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased from 12.5% to 12.7%. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.
- The District called it's 1999 bonds (due March 2009) and it's 2003 BANS (due October 2006) and refinanced \$5,500,000 of new bonds (payable through March 2009). The District's total bonded debt decreased by \$768,000 during the current fiscal year, due mainly to a new issuance of sales tax revenue bans. The total outstanding at the end of the fiscal year is \$5,599,989

# **BURLINGTON COMMUNITY SCHOOL DISTRICT**

## **Management's Discussion and Analysis**

June 30, 2006

### **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, operation of non-instructional services, and capital construction. The business-type activities of the District include food services, childcare services, home remodeling, automotive, and a wellness center.

The government-wide financial statements can be found on pages 16 to 17 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this

## **BURLINGTON COMMUNITY SCHOOL DISTRICT**

### **Management's Discussion and Analysis**

June 30, 2006

comparison between governmental funds and governmental activities. These reconciliations are on pages 19 and 21, respectively.

The District maintains twelve individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Capital Projects, both of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 18 and 20 of this report.

***Proprietary funds.*** Proprietary funds are used to account for activities that are the same as private business activities. Proprietary funds are reported in the same manner as the government-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District has one enterprise fund: School Nutrition. The District's internal service funds (one type of proprietary fund) are the same as its governmental activities but provide more detail and additional information, such as cash flows. The District has one internal service fund: Self-funded Insurance. The basic proprietary fund financial statements can be found on pages 22 to 24 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 to 34 of this report.



# BURLINGTON COMMUNITY SCHOOL DISTRICT

## Management's Discussion and Analysis

June 30, 2006

<b><u>Major Features of the Government-Wide and Fund Financial Statements</u></b>			
	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary, such as instruction, administration, and building maintenance	Activities the District operates similar to private businesses such as school nutrition and childcare
Required financial statements	Statement of Net Assets  Statement of Activities	Balance Sheet  Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets  Statement of Revenue, Expenses, and Changes in Fund Net Assets  Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or within specified periods after year end of the year; expenditures when goods or services are received and liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

## **BURLINGTON COMMUNITY SCHOOL DISTRICT**

### **Management's Discussion and Analysis**

June 30, 2006

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process. The District adopts an annual expenditure budget for all governmental funds. A budgetary comparison statement has been provided as required supplementary information. The required supplementary information can be found on page 35 to 36 of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$42.1 million as of June 30, 2006.

A large portion of the District's net assets (72.4%) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The government-wide statements also include \$12.6 million in long-term liabilities (see Note 5 on page 33); including revenue bonds, QZAB bonds, revenue bans, early retirement and compensated absences.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

# BURLINGTON COMMUNITY SCHOOL DISTRICT

## Management's Discussion and Analysis

June 30, 2006

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2006 (in thousands).

	<b>Government Activities</b>		<b>Business - Type Activities</b>		<b>Total</b>	
	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>
Current assets	\$ 30,607	27,862	83	98	30,690	27,960
Capital assets, net	39,914	39,397	118	102	40,032	39,499
<b>Total assets</b>	<b>70,521</b>	<b>67,259</b>	<b>201</b>	<b>200</b>	<b>70,722</b>	<b>67,459</b>
Current liabilities	16,538	16,235	69	67	16,607	16,302
Long-term liabilities	12,555	8,894	—	—	12,555	8,894
<b>Total liabilities</b>	<b>29,093</b>	<b>25,129</b>	<b>69</b>	<b>67</b>	<b>29,162</b>	<b>25,196</b>
Net assets:						
Invested in capital assets, net of related debt	31,071	39,097	118	102	31,189	39,199
Restricted	7,397	739	—	—	7,397	739
Unrestricted	2,960	2,294	14	31	2,974	2,325
<b>Total net assets</b>	<b>\$ 41,428</b>	<b>42,130</b>	<b>132</b>	<b>133</b>	<b>41,560</b>	<b>42,263</b>

The following are significant current year transactions that have had an impact on the Statement of Net Assets:

The addition of \$670,462 in capital assets through capital construction, other school improvements, and purchases of furniture, equipment and vehicles.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2006 were \$44.3 million. The total cost of all programs and services was \$43.6 million. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 (in thousands).

# BURLINGTON COMMUNITY SCHOOL DISTRICT

## Management's Discussion and Analysis

June 30, 2006

	<b>Government Activities</b>		<b>Business- Type Activities</b>		<b>Total</b>	
	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,699	1,340	601	571	2,300	1,911
Operating grants and contributions	4,815	5,039	902	949	5,717	5,988
Capital grants and contributions	—	3	—	—	—	3
General revenues:						
Property taxes	11,388	12,161	—	—	11,388	12,161
Sales tax, capital projects	3,430	3,750	—	—	3,430	3,750
Unrestricted investment earnings	188	523	—	—	188	523
Unrestricted state grants	18,269	18,894	—	—	18,269	18,894
Other	5,467	1,104	1	2	5,468	1,106
<b>Total revenues</b>	<b>45,256</b>	<b>42,814</b>	<b>1,504</b>	<b>1,522</b>	<b>46,760</b>	<b>44,336</b>
<b>Expenses:</b>						
Instructional	25,295	26,690	—	—	25,295	26,690
Support services:						
Student services	954	1,067	—	—	954	1,067
Instructional staff services	1,310	971	—	—	1,310	971
Administration services	2,855	3,689	—	36	2,855	3,725
Operation and maintenance of plant services	2,869	3,553	—	7	2,869	3,560
Transportation services	829	867	—	—	829	867
Central support services	—	—	—	—	—	—
Non-instructional programs	262	151	1,527	1,478	1,789	1,629
Other expenditures:						
Facilities acquisitions	2,259	2,569	—	—	2,259	2,569
Long-term debt interest	329	277	—	—	329	277
AEA flowthrough	1,376	1,384	—	—	1,376	1,384
Depreciation(unallocated)	894	894	—	—	894	894
<b>Total expenses</b>	<b>39,232</b>	<b>42,112</b>	<b>1,527</b>	<b>1,521</b>	<b>40,759</b>	<b>43,633</b>
<b>Excess before transfers</b>	<b>6,024</b>	<b>702</b>	<b>(23)</b>	<b>1</b>	<b>6,001</b>	<b>703</b>
<b>Transfers</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Change in net assets	6,024	702	(23)	1	6,001	703
Beginning net assets	35,404	41,428	155	132	35,559	41,560
Ending net assets	\$ 41,428	42,130	132	133	41,560	42,263

### Governmental Activities

Unrestricted state grants, property taxes, and sales tax are the primary sources of revenue for the District. Sales tax revenue was \$270,000 less than the estimate established by the District due mostly to the downturn in the economy. Economic conditions also caused shortfalls in the budget for the State of Iowa.

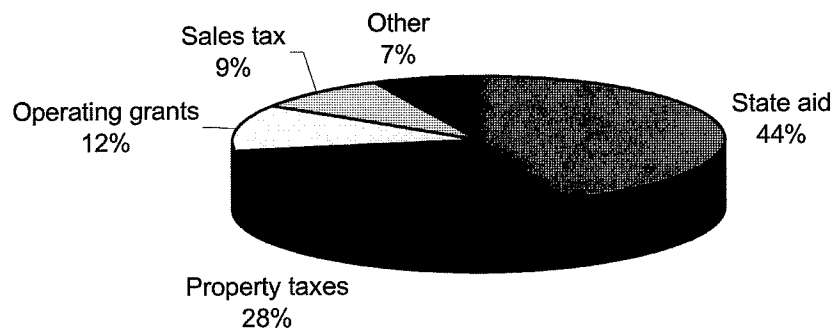
## BURLINGTON COMMUNITY SCHOOL DISTRICT

### Management's Discussion and Analysis

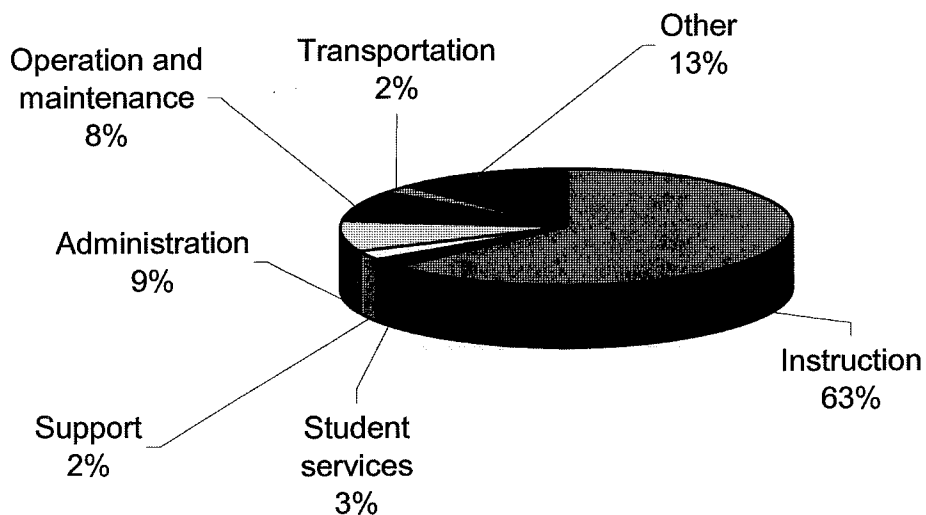
June 30, 2006

Instruction constitutes the largest portion of expenditures at \$26.7 million or 63%. The District offers a wide array of programs including general education, special education, vocational and college preparatory classes. The purely administrative activities of the District accounted for 9% of total costs. Over 80% of the District's expenditures are salaries and benefits.

#### Revenue - Governmental Activities



#### Expenses - Governmental Activities



## BURLINGTON COMMUNITY SCHOOL DISTRICT

### Management's Discussion and Analysis

June 30, 2006

The following table presents the cost of the District's functional activities (in thousands). The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	<b>Total Expenses</b>		<b>%</b>	<b>Net (Expense) Revenue</b>		<b>%</b>
	<b>2005</b>	<b>2006</b>	<b>Change</b>	<b>2005</b>	<b>2006</b>	<b>Change</b>
Instructional	\$ 25,295	26,690	5.51%	(20,490)	(21,855)	6.66%
Support services:						
Student services	954	1,067	11.84%	(954)	(1,067)	11.84%
Instructional staff services	1,310	971	-25.88%	(1,263)	(971)	-23.12%
Administration services	2,855	3,689	29.21%	(2,855)	(3,687)	29.14%
Operation and maintenance	2,869	3,553	23.84%	(2,859)	(3,553)	24.27%
Transportation services	829	867	4.58%	(789)	(827)	4.82%
Non-instructional programs	262	151	-42.37%	(26)	(34)	30.77%
Other expenditures:						
Facilities acquisitions	2,259	2,569	13.72%	(2,259)	(2,566)	13.59%
Long-term debt interest	329	277	-15.81%	(329)	(277)	-15.81%
AEA flowthrough	1,376	1,384	0.58%	—	—	—
Depreciation(unallocated)	894	894	0.00%	(894)	(894)	0.00%
Total expenses	\$ 39,232	42,112	7.34%	(32,718)	(35,731)	9.21%

- The cost of all governmental activities this year was \$42.1 million.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$6.0 million.
- Net cost of governmental activities (\$35.7 million) was financed by general revenues, which are made up of primarily property and sales tax (\$15.9 million) and state aid (\$18.9 million). Investment earnings, gain on sale of property and miscellaneous sources accounted for \$1.6 million.

### Business-type Activities

Revenues of the District's business-type activities were \$1,521,485 and expenses were \$1,519,987. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and sale of equipment.

The School Nutrition primary expenses are staff, food and commodities. The District's free and reduced participation increased during fiscal year, again due to the poor economy. The School Nutrition fund had a change in net assets of \$1,498 for fiscal year 2006.

## **BURLINGTON COMMUNITY SCHOOL DISTRICT**

### **Management's Discussion and Analysis**

June 30, 2006

#### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$296,174 was a planned reduction. The General Fund balance is reserved or designated to indicate that it is not available for spending because it has already been committed as follows:

- \$50,096 for Medicaid Administrative Claiming Reserve
- \$41,439 for Gifted and Talented Carryover
- \$3,788 for Salary Improvement Program
- \$4,950 for Additional Teacher Contract Day
- \$187 for Additional Salary, Professional Development

#### **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year, the District amended its annual operating budget one time to reflect additional expenditures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and other governmental funds are not presented in the budgetary comparison on pages 35 and 36.

##### **Legal Budgetary Highlights**

The District's total actual receipts were \$479,539 more than the total budgeted receipts, a variance of 1.12% for the reasons noted above.

Total expenditures were approximately \$2 million less than total budgeted expenditures, a variance of 3.34%. Because of uncertainty with mandated changes by Department of Education, the budget was increased in certain areas, but not reduced in other areas.

# BURLINGTON COMMUNITY SCHOOL DISTRICT

## Management's Discussion and Analysis

June 30, 2006

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2006, the District had invested \$39.5 million in capital assets, including school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. This amount represents a net increase prior to depreciation of \$659,291 from last year, primarily due to the new construction and renovation projects in the District's ten-year construction plan. The district completed remodeling and additions at Grimes Elementary. Total depreciation expense for the year was \$1,537,010.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2006 (in thousands).

	Governmental Activities		Business-type Activities		Total		% Change
	2005	2006	2005	2006	2005	2006	
Land and improvements	\$ 2,331	2,492	—	—	2,331	2,492	6.91%
Buildings and improvements	35,185	34,326	—	—	35,185	34,326	-2.44%
Vehicles, furniture and equipment	2,398	2,579	118	103	2,516	2,682	6.60%
Construction in progress	—	—	—	—	—	—	0.00%
Total	\$ 39,914	39,397	118	103	40,032	39,500	-1.33%

Additional information on the District's capital assets can be found in Note 4 on page 31 to 32 of this report.

**Debt Administration.** At year-end, the District had \$8,893,652 in other long-term debt outstanding, of which \$2,200,635 is due within one year. The following table presents a summary of the District's outstanding long-term debt for the fiscal year ended June 30, 2006.

	Amount		% Change
	2005	2006	
Revenue Bonds	\$ 3,050,000	4,931,989	61.7%
Quality Zone Academy Bonds	668,000	668,000	0.0%
Revenue Bans	6,200,000	—	100.0%
Early Retirement	2,223,690	3,161,422	42.2%
Compensated Absences	112,908	132,241	17.1%
Total	\$ 12,254,598	8,893,652	-27.4%

State statutes currently limit the amount of general obligation debt a district may issue to 5% of its total assessed valuation. The current debt limitation for the District is \$60,847,018 which is more than the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note 5 on page 33 of this report.



## **BURLINGTON COMMUNITY SCHOOL DISTRICT**

### **Management's Discussion and Analysis**

June 30, 2006

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Business and Finance Office, Burlington Community School District, 1429 West Avenue, Burlington, Iowa 5260.

## BASIC FINANCIAL STATEMENTS

BURLINGTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 14,062,313	73,155	14,135,468
Receivables:			
Property tax:			
Delinquent	290,459	0	290,459
Succeeding year	12,201,460	0	12,201,460
Accounts	14,995	0	14,995
Due from other governments	1,293,724	858	1,294,582
Inventories	0	23,627	23,627
Capital assets, net of accumulated depreciation(Note 4)	39,396,528	102,577	39,499,105
<b>TOTAL ASSETS</b>	<b>67,259,479</b>	<b>200,217</b>	<b>67,459,696</b>
<b>LIABILITIES</b>			
Accounts payable	487,063	4,723	491,786
Salaries and benefits payable	3,529,483	50,228	3,579,711
Deferred revenue:			
Succeeding year property tax	12,201,460	0	12,201,460
Other	17,310	0	17,310
Unearned revenue	0	11,970	11,970
Long-term liabilities(Note 5):			
Portion due within one year:			
Revenue bonds payable	1,741,957	0	1,741,957
Early retirement payable	326,437	0	326,437
Compensated absences payable	132,241	0	132,241
Portion due after one year:			
Revenue bonds payable	3,190,032	0	3,190,032
QZAB bonds payable	668,000	0	668,000
Early retirement payable	2,834,985	0	2,834,985
<b>TOTAL LIABILITIES</b>	<b>25,128,968</b>	<b>66,921</b>	<b>25,195,889</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	39,096,576	102,577	39,199,153
Restricted for:			
Talented and gifted	41,439	0	41,439
Salary improvement program	3,788	0	3,788
Additional teacher contract day	4,950	0	4,950
Additional salary, professional development	187	0	187
Medicaid	50,096	0	50,096
Physical plant and equipment levy	75,492	0	75,492
Other special revenue purposes	564,138	0	564,138
Unrestricted	2,293,845	30,719	2,324,564
<b>TOTAL NET ASSETS</b>	<b>\$ 42,130,511</b>	<b>133,296</b>	<b>42,263,807</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 16,776,844	384,362	3,216,054	0	(13,176,428)	0
Special instruction	6,199,088	441,076	271,680	0	(5,486,332)	0
Other instruction	3,714,115	513,217	8,678	0	(3,192,220)	0
	26,690,047	1,338,655	3,496,412	0	(21,854,980)	0
Support services:						
Student services	1,067,431	0	0	0	(1,067,431)	0
Instructional staff services	971,094	0	0	0	(971,094)	0
Administration services	3,689,378	0	2,842	0	(3,686,536)	0
Operation and maintenance of plant services	3,553,107	0	0	0	(3,553,107)	0
Transportation services	866,805	1,072	38,967	0	(826,766)	0
	10,147,815	1,072	41,809	0	(10,104,934)	0
Non-instructional programs:						
Food service operations	7,002	0	0	0	(7,002)	0
Community service and education operations	13,975	0	0	0	(13,975)	0
Operation of non-instructional programs	130,385	0	117,055	0	(13,330)	0
	151,362	0	117,055	0	(34,307)	0
Other expenditures:						
Facilities acquisitions	2,568,914	0	0	2,995	(2,565,919)	0
Long-term debt interest	276,903	0	0	0	(276,903)	0
AEA flowthrough	1,383,688	0	1,383,688	0	0	0
Depreciation(unallocated)*	893,947	0	0	0	(893,947)	0
	5,123,452	0	1,383,688	2,995	(3,736,769)	0
Total governmental activities	42,112,676	1,339,727	5,038,964	2,995	(35,730,990)	0
					6,381,686	
Business-type activities:						
Support services:						
Administration services	35,506	0	0	0	(35,506)	(35,506)
Operation and maintenance of plant services	6,706	0	0	0	(6,706)	(6,706)
	42,212	0	0	0	(42,212)	(42,212)
Non-instructional programs:						
Nutrition services	1,477,775	570,708	949,116	0	0	42,049
	1,519,987	570,708	949,116	0	0	(163)
Total business-type activities						
Total	\$ 43,632,663	1,910,435	5,988,080	2,995	(35,730,990)	(163)
						(35,731,153)
General Revenues:						
Local tax:						
General purposes				\$ 11,386,786	0	11,386,786
Capital projects				774,425	0	774,425
Local option sales and services tax				3,749,964	0	3,749,964
Unrestricted state grants				18,893,805	0	18,893,805
Unrestricted investment earnings				523,865	1,661	525,526
Other				1,104,439	0	1,104,439
Total general revenues				36,433,284	1,661	36,434,945
Changes in net assets				702,294	1,498	703,792
Net assets beginning of year				41,428,217	131,798	41,560,015
Net assets end of year				\$ 42,130,511	133,296	42,263,807

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>Assets</b>					
Cash and pooled investments	\$ 7,446,773	4,430,558	417,500	913,025	13,207,856
Receivables:					
Property tax					
Delinquent	251,328	0	0	39,131	290,459
Succeeding year	10,486,752	0	0	1,714,708	12,201,460
Accounts	14,995	0	0	0	14,995
Due from other governments	706,379	587,252	0	93	1,293,724
<b>Total assets</b>	<b>\$ 18,906,227</b>	<b>5,017,810</b>	<b>417,500</b>	<b>2,666,957</b>	<b>27,008,494</b>
<b>Liabilities and fund balances</b>					
Liabilities:					
Accounts payable	\$ 324,051	135,273	0	27,307	486,631
Salaries and benefits payable	3,529,483	0	0	0	3,529,483
Deferred revenue:					
Succeeding year property tax	10,486,752	0	0	1,714,708	12,201,460
Other	17,310	0	0	0	17,310
<b>Total liabilities</b>	<b>14,357,596</b>	<b>135,273</b>	<b>0</b>	<b>1,742,015</b>	<b>16,234,884</b>
<b>Fund balances:</b>					
Reserved for:					
Talented and gifted	41,439	0	0	0	41,439
Salary improvement program	3,788	0	0	0	3,788
Additional teacher contract day	4,950	0	0	0	4,950
Additional salary, professional development	187	0	0	0	187
Medicaid	50,096	0	0	0	50,096
Debt service	0	0	417,500	0	417,500
Unreserved:					
Undesignated:					
General	4,448,171	0	0	0	4,448,171
Capital projects	0	4,882,537	0	0	4,882,537
Management levy	0	0	0	285,312	285,312
Physical plant and equipment levy	0	0	0	75,492	75,492
Other special revenue purposes	0	0	0	564,138	564,138
<b>Total fund balances</b>	<b>4,548,631</b>	<b>4,882,537</b>	<b>417,500</b>	<b>924,942</b>	<b>10,773,610</b>
<b>Total liabilities and fund balances</b>	<b>\$ 18,906,227</b>	<b>5,017,810</b>	<b>417,500</b>	<b>2,666,957</b>	<b>27,008,494</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006

Total fund balances of governmental funds (page 18)	\$ 10,773,610
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	39,396,528
Blending of the Internal Service Fund to be reflected at an entity-wide basis.	854,025
Long-term liabilities, including revenue bonds payable, QZAB bonds payable, early retirement payable and compensated absences, are not due and payable in the current period and, therefore, are not as reported liabilities in the governmental funds.	<u>(8,893,652)</u>
Net assets of governmental activites (page 16)	<u><u>\$ 42,130,511</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 10,489,847	3,749,964	0	1,671,364	15,911,175
Tuition	724,325	0	0	0	724,325
Other	485,100	245,490	29,181	714,104	1,473,875
State sources	21,904,167	0	0	1,759	21,905,926
Federal sources	1,879,744	0	0	0	1,879,744
Total revenues	35,483,183	3,995,454	29,181	2,387,227	41,895,045
Expenditures:					
Current:					
Instruction:					
Regular instruction	15,478,202	70,038	0	478,922	16,027,162
Special instruction	6,197,518	0	0	0	6,197,518
Other instruction	3,195,568	0	0	540,706	3,736,274
	24,871,288	70,038	0	1,019,628	25,960,954
Support services:					
Student services	1,055,061	0	0	8,305	1,063,366
Instructional staff services	963,376	0	0	5,567	968,943
Administration services	3,418,467	65,746	0	122,343	3,606,556
Operation and maintenance of plant services	2,827,418	538,271	0	106,732	3,472,421
Transportation services	717,547	0	0	167,875	885,422
	8,981,869	604,017	0	410,822	9,996,708
Non-instructional programs:					
Food service operations	0	0	0	7,431	7,431
Community service and education operations	13,975	0	0	0	13,975
Operation of non-instructional programs	0	0	0	130,385	130,385
	13,975	0	0	137,816	151,791
Other expenditures:					
Facilities acquisitions	0	2,069,696	0	694,226	2,763,922
Long-term debt:					
Principal	0	0	9,818,011	0	9,818,011
Interest and fiscal charges	0	0	314,009	0	314,009
AEA flowthrough	1,383,688	0	0	0	1,383,688
	1,383,688	2,069,696	10,132,020	694,226	14,279,630
Total expenditures	35,250,820	2,743,751	10,132,020	2,262,492	50,389,083
Excess(deficiency) of revenues over(under) expenditures	232,363	1,251,703	(10,102,839)	124,735	(8,494,038)
Other financing sources(uses):					
Transfers in	0	22,571	9,430,655	0	9,453,226
Transfers out	0	(9,430,655)	(22,571)	0	(9,453,226)
Compensation for loss of capital assets	53,287	860,866	0	0	914,153
Sale of equipment	10,524	0	0	0	10,524
Sale of property	0	0	0	500	500
Issuance of revenue bonds	0	5,500,000	0	0	5,500,000
Total other financing sources(uses)	63,811	(3,047,218)	9,408,084	500	6,425,177
Net change in fund balances	296,174	(1,795,515)	(694,755)	125,235	(2,068,861)
Fund balance beginning of year	4,252,457	6,678,052	1,112,255	799,707	12,842,471
Fund balance end of year	\$ 4,548,631	4,882,537	417,500	924,942	10,773,610

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2006

Net change in fund balances - total governmental funds (page 20) \$ (2,068,861)

**Amounts reported for governmental activities in the  
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 1,006,438	
Depreciation expense	(1,518,731)	
Loss on disposal of capital assets	<u>(5,252)</u>	(517,545)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments as follows:

Issued	\$ (5,500,000)	
Repaid	<u>9,818,011</u>	4,318,011

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	\$ (937,732)	
Compensated absences	<u>(19,333)</u>	(957,065)

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. (109,352)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

37,106

Changes in net assets of governmental activities (page 17)

\$ 702,294

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



BURLINGTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006

	Business-type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Current assets:		
Cash and pooled investments	\$ 73,155	854,457
Due from other governments	858	0
Inventories	23,627	0
Total current assets	<u>97,640</u>	<u>854,457</u>
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation (Note 4)	102,577	0
Total non-current assets	<u>102,577</u>	<u>0</u>
Total assets	<u>200,217</u>	<u>854,457</u>
Liabilities		
Current liabilities:		
Accounts payable	4,723	432
Salaries and benefits payable	50,228	0
Unearned revenue	11,970	0
Total liabilities	<u>66,921</u>	<u>432</u>
Net assets		
Investment in capital assets, net of related debt	102,577	0
Unrestricted	30,719	854,025
Total net assets	<u>\$ 133,296</u>	<u>854,025</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2006

	Business-type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 570,708	5,112,544
Total operating revenues	<u>570,708</u>	<u>5,112,544</u>
Operating expenses:		
Support services:		
Administration services:		
Salaries	25,941	0
Benefits	998	0
Services	1,627	0
Supplies	6,835	0
Other	105	0
	<u>35,506</u>	<u>0</u>
Operation and maintenance of plant services:		
Salaries	3,453	0
Services	3,253	0
	<u>6,706</u>	<u>0</u>
Total support services	<u>42,212</u>	<u>0</u>
Non-instructional programs:		
Food service operations:		
Salaries	516,960	0
Benefits	121,882	0
Services	32	0
Supplies	819,981	0
Depreciation	18,279	0
Other	575	0
	<u>1,477,709</u>	<u>0</u>
Other enterprise operations:		
Benefits	0	5,221,896
Total non-instructional programs	<u>1,477,709</u>	<u>5,221,896</u>
Total operating expenses	<u>1,519,921</u>	<u>5,221,896</u>
Operating loss	<u>(949,213)</u>	<u>(109,352)</u>
Non-operating revenues (expenses):		
State sources	19,983	0
Federal sources	929,133	0
Interest income	1,661	0
Loss on disposal of capital assets	(66)	0
Total non-operating revenues (expenses)	<u>950,711</u>	<u>0</u>
Changes in net assets	1,498	(109,352)
Net assets beginning of year	<u>131,798</u>	<u>963,377</u>
Net assets end of year	<u>\$ 133,296</u>	<u>854,025</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2006

	Business-type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 551,479	0
Cash received from miscellaneous operating activities	19,457	5,113,335
Cash payments to employees for services	(667,731)	(5,224,921)
Cash payments to suppliers for goods or services	(741,577)	0
Net cash used in operating activities	<u>(838,372)</u>	<u>(111,586)</u>
Cash flows from non-capital financing activities:		
State grants received	19,983	0
Federal grants received	840,475	0
Net cash provided by non-capital financing activities	<u>860,458</u>	<u>0</u>
Cash flows from capital activities:		
Acquisition of assets	(2,621)	0
Net cash used in capital activities	<u>(2,621)</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	1,661	0
Net cash provided by investing activities	<u>1,661</u>	<u>0</u>
Net increase(decrease) in cash and cash equivalents	21,126	(111,586)
Cash and cash equivalents at beginning of year	52,029	966,043
Cash and cash equivalents at end of year	<u>\$ 73,155</u>	<u>854,457</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (949,279)	(109,352)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	87,800	0
Depreciation	18,279	0
Decrease in inventories	5,442	0
Decrease in accounts receivable	1,399	791
Decrease in accounts payable	(2,411)	(3,025)
Increase in salaries and benefits payable	1,503	0
Decrease in unearned revenue	(1,171)	0
Net cash used in operating activities	<u>\$ (838,438)</u>	<u>(111,586)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and investments	<u>\$ 73,155</u>	<u>854,457</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$87,800.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

**(1) Summary of Significant Accounting Policies**

The Burlington Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Burlington, Iowa, and the predominate agricultural territory in Des Moines County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Burlington Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Burlington Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Des Moines County Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Investment in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund, Self-funded Insurance. The School Nutrition Fund is used to account for the food service operations of the District. The Self-funded Insurance Fund is used to account for employee and board contributions for health insurance premiums.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used



to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Enterprise, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa;

prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	<u>\$ 10,942,550</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

The District had investments in certificates of deposit that are stated at a fair value of \$3,283 and are classified as risk category 1, which are investments that are insured and registered and held by the District or its agent in the District's name.

### (3) Transfers

The detail of transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 9,430,655
Capital Projects	Debt Service	<u>22,571</u>
Total		<u>\$ 9,453,226</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

### (4) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,990,712	188,182	0	2,178,894
Total capital assets not being depreciated	<u>1,990,712</u>	<u>188,182</u>	<u>0</u>	<u>2,178,894</u>
Capital assets being depreciated:				
Buildings	43,401,414	0	0	43,401,414
Land improvements	679,464	6,826	0	686,290
Machinery and equipment	11,532,794	811,430	335,966	12,008,258
Total capital assets being depreciated	<u>55,613,672</u>	<u>818,256</u>	<u>335,966</u>	<u>56,095,962</u>
Less accumulated depreciation for:				
Buildings	8,216,368	859,632	0	9,076,000
Land improvements	338,913	34,315	0	373,228
Machinery and equipment	9,135,030	624,784	330,714	9,429,100
Total accumulated depreciation	<u>17,690,311</u>	<u>1,518,731</u>	<u>330,714</u>	<u>18,878,328</u>
Total capital assets being depreciated, net	<u>37,923,361</u>	<u>(700,475)</u>	<u>5,252</u>	<u>37,217,634</u>
Governmental activities capital assets, net	<u>\$ 39,914,073</u>	<u>(512,293)</u>	<u>5,252</u>	<u>39,396,528</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 476,588	2,621	13,802	465,407
Less accumulated depreciation	358,287	18,279	13,736	362,830
Business-type activities capital assets, net	<u>\$ 118,301</u>	<u>(15,658)</u>	<u>66</u>	<u>102,577</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 369,272
Special	1,570
Support services:	
Administration	22,808
Operation and maintenance	88,773
Transportation	142,361
	<u>624,784</u>
Unallocated depreciation	<u>893,947</u>
Total governmental activities depreciation expense	<u>\$ 1,518,731</u>
Business-type activities:	
Food services	<u>\$ 18,279</u>

**(5) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue Bonds	\$ 3,050,000	5,500,000	3,618,011	4,931,989	1,741,957
QZAB Bonds	668,000	0	0	668,000	0
Revenue Bans	6,200,000	0	6,200,000	0	0
Early Retirement	2,223,690	1,294,768	357,036	3,161,422	326,437
Compensated Absences	112,908	132,241	112,908	132,241	132,241
Total	\$ 12,254,598	6,927,009	10,287,955	8,893,652	2,200,635

Revenue Bonds

Details of the District's June 30, 2006 revenue bonded indebtedness is as follows:

Year Ending June 30,	Interest Rate	Issue dated March 1, 2006		
		Principal	Interest	Total
2007	3.30 %	\$ 1,741,957	136,565	1,878,522
2008	3.30	1,800,319	78,203	1,878,522
2009	3.30	1,389,713	19,179	1,408,892
		\$ 4,931,989	233,947	5,165,936

Quality Zone Academy Bonds (QZAB)

During the year ended June 30, 2003, the District issued zero interest Quality Zone Academy Bonds (QZAB). Annual transfers from the Capital Projects - Local Option Sales and Service Tax fund to a debt sinking fund will be made to pay the indebtedness due April 1, 2009, of \$668,000.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and have completed five years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2006, totaled \$357,036.

**(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report

may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the year ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$1,180,149, \$1,167,300 and \$1,182,531 respectively, equal to the required contributions for each year.

**(7) Risk Management**

Burlington Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,383,688 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.



REQUIRED SUPPLEMENTARY INFORMATION

BURLINGTON COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2006

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Variance -
	Actual	Actual	Actual			Positive
						(Negative)
Revenues:						
Local sources	\$ 18,109,375	572,369	18,681,744	18,250,600	18,250,600	431,144
State sources	21,905,926	19,983	21,925,909	21,997,391	21,997,391	(71,482)
Federal sources	1,879,744	929,133	2,808,877	2,689,000	2,689,000	119,877
Total revenues	41,895,045	1,521,485	43,416,530	42,936,991	42,936,991	479,539
Expenditures:						
Instruction	25,960,954	0	25,960,954	26,698,610	26,698,609	737,655
Support services	9,996,708	42,212	10,038,920	8,511,629	9,811,629	(227,291)
Non-instructional programs	151,791	1,477,775	1,629,566	2,179,641	2,179,642	550,076
Other expenditures	14,279,630	0	14,279,630	5,760,839	15,010,839	731,209
Total expenditures	50,389,083	1,519,987	51,909,070	43,150,719	53,700,719	1,791,649
Excess(deficiency) of revenues over(under) expenditures	(8,494,038)	1,498	(8,492,540)	(213,728)	(10,763,728)	2,271,188
Other financing sources, net	6,425,177	0	6,425,177	45,000	45,000	6,380,177
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(2,068,861)	1,498	(2,067,363)	(168,728)	(10,718,728)	8,651,365
Balance beginning of year	12,842,471	131,798	12,974,269	7,216,015	7,216,015	5,758,254
Balance end of year	\$ 10,773,610	133,296	10,906,906	7,047,287	(3,502,713)	14,409,619

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



BURLINGTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$10,550,000.

During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

BURLINGTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2006

	Nonmajor Special Revenue Funds				
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds
Assets					
Cash and pooled investments	\$ 269,956	397,364	65,735	179,970	913,025
Receivables:					
Property tax					
Delinquent	21,490	0	17,641	0	39,131
Succeeding year	949,999	0	764,709	0	1,714,708
Due from other governments	51	0	42	0	93
Total assets	\$ 1,241,496	397,364	848,127	179,970	2,666,957
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 6,185	12,013	7,926	1,183	27,307
Deferred revenue:					
Succeeding year property tax	949,999	0	764,709	0	1,714,708
Total liabilities	956,184	12,013	772,635	1,183	1,742,015
Fund balances:					
Unreserved fund balances	285,312	385,351	75,492	178,787	924,942
	285,312	385,351	75,492	178,787	924,942
Total liabilities and fund balances	\$ 1,241,496	397,364	848,127	179,970	2,666,957

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2006

	Nonmajor Special Revenue Funds				
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds
Revenues:					
Local sources:					
Local tax	\$ 896,939	0	774,425	0	1,671,364
Other	30,914	529,236	541	153,413	714,104
State sources	966	0	793	0	1,759
Total revenues	928,819	529,236	775,759	153,413	2,387,227
Expenditures:					
Current:					
Instruction:					
Regular instruction	478,172	0	0	750	478,922
Other instruction	0	540,706	0	0	540,706
Support services:					
Student services	8,305	0	0	0	8,305
Instructional staff services	5,492	75	0	0	5,567
Administration services	119,501	0	0	2,842	122,343
Operation and maintenance of plant services	106,732	0	0	0	106,732
Transportation services	54,383	0	113,492	0	167,875
Non-instructional programs:					
Food service operations	7,431	0	0	0	7,431
Other enterprise operations	0	0	0	130,385	130,385
Other expenditures:					
Facilities acquisition	0	0	694,226	0	694,226
Total expenditures	780,016	540,781	807,718	133,977	2,262,492
Excess(deficiency) of revenues over(under) expenditures	148,803	(11,545)	(31,959)	19,436	124,735
Other financing sources:					
Sale of property	0	0	500	0	500
Total other financing sources	0	0	500	0	500
Net change in fund balances	148,803	(11,545)	(31,459)	19,436	125,235
Fund balances beginning of year	136,509	396,896	106,951	159,351	799,707
Fund balances end of year	\$ 285,312	385,351	75,492	178,787	924,942

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
SYSTEM WIDE:				
BUSINESS ACCOUNTS	\$ 561	0	0	561
UNIVERSITY HIGH SCHOOL: ACTIVITY	1,637	907	1,078	1,466
SENIOR HIGH SCHOOL: ACTIVITY	8,359	5,867	8,572	5,654
DRAMA	(3,368)	5,544	2,015	161
CHORAL	3,649	7,242	2,917	7,974
PURPLE AIRES	512	70	0	582
ORCHESTRA/CHAMBER	5,853	26,002	26,214	5,641
BAND/COLOR GUARD	471	412	164	719
JAZZ BAND	25	50	0	75
MUSIC/DRAMA	3,666	1,726	2,894	2,498
MIDDLE SCHOOL ATHLETICS	488	14,061	8,209	6,340
FUTURE GRAYHOUND BBALL	5,097	0	0	5,097
GENERAL ATHLETICS	56,693	53,690	62,183	48,200
CHEERLEADERS	1,705	1,870	1,769	1,806
FUTURE GRAYHOUND SWIMMING	3,404	9,866	6,325	6,945
ART CLUB	6,958	4,209	4,918	6,249
KIWANIS KEY CLUB	422	1,452	1,848	26
PURPLE AND GRAY	2,077	415	750	1,742
INTERNATIONAL CLUB	(108)	9,496	9,368	20
PATHFINDER	17,225	35,116	25,995	26,346
ENRICHMENT FOUNDATION	6,012	0	6,012	0
OUTDOOR CLASSROOM	503	0	0	503
ECOLOGY CLUB	3,776	114	362	3,528
PAW PRINTS	2,783	3,408	5,478	713
SADD	7,574	2,436	7,456	2,554
VARSITY CLUB	2,324	18,923	15,380	5,867
SENIOR COLOR SEL	962	35	0	997
RENAISSANCE SCHOLARSHIP	35	0	0	35
RENAISSANCE STORE	(721)	26,654	25,933	0
CLASS OF 2005	14,711	0	14,711	0
CLASS OF 2006	2,186	21,517	10,371	13,332
CLASS OF 2007	(118)	118	0	0
CLASS OF 2008	0	78	0	78
CLASS OF 2009	0	41	0	41
NATIONAL HONOR SOCIETY	223	82	0	305
STUDENT COUNCIL	3,519	29,659	23,148	10,030
HERO	1,676	2,740	3,156	1,260
IA CLUB	414	0	0	414

BURLINGTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<b>SENIOR HIGH (CONTINUED):</b>				
TECHNOLOGY STUDENT	1,533	2,152	1,164	2,521
DECA	5,898	19,195	19,384	5,709
BPA CLUB	121	0	0	121
SELF-CONTAINED FUNDRAISER	940	0	732	208
<b>BOYS ATHLETICS:</b>				
BASKETBALL	25,419	15,879	13,274	28,024
FOOTBALL	27,891	25,263	34,392	18,762
SWIMMING	7,776	567	4,950	3,393
WRESTLING	968	12,467	9,749	3,686
TRACK	814	5,890	4,728	1,976
CROSS COUNTRY TRACK	1,658	1,812	1,637	1,833
BASEBALL	4,470	14,584	12,147	6,907
TENNIS	1,258	565	832	991
GOLF	874	2,742	2,213	1,403
SOCCER	2,198	5,458	4,782	2,874
<b>GIRLS ATHLETICS:</b>				
SOCCER	(158)	3,658	1,877	1,623
BASKETBALL	13,832	10,574	8,814	15,592
VOLLEYBALL	1,584	5,110	5,417	1,277
SWIMMING	6,484	3,658	4,958	5,184
SOFTBALL	593	15,192	11,533	4,252
TRACK	1,271	4,804	4,491	1,584
TENNIS	1,517	640	395	1,762
GOLF	1,622	1,325	755	2,192
TOTAL HIGH SCHOOL	259,191	428,561	415,800	271,952
HORACE MANN	23,577	2,029	25,606	0
JAMES MADISON	28,269	36,051	27,589	36,731
OAK STREET	25,632	31,082	20,142	36,572
CENTRAL AVENUE	1,528	0	0	1,528
CORSE	2,290	3,118	4,358	1,050
BLACK HAWK	10,044	7,619	13,219	4,444
GRIMES	22,355	4,466	18,251	8,570
NORTH HILL	(201)	1,333	72	1,060
PERKINS	730	0	0	730
SUNNYSIDE	12,924	8,203	6,094	15,033
Total	\$ 396,896	529,236	540,781	385,351

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS  
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
RESERVE FUND BALANCE	\$ 210	1,204	0	1,414
ADM BLDG POP FUND	159	337	207	289
NEEDY STUDENT	2,639	2,201	3,549	1,291
MISC CENTRAL OFFICE	2,927	17	0	2,944
MARIE WEDERTZ MUSICAL	5,235	0	0	5,235
GUEGLER TRUST	9,763	1,460	9,970	1,253
JOHN H WITTE FOUNDATION	30,599	39,000	27,726	41,873
ED FOUNDATION SP. PROGRAM	5,876	14,803	13,402	7,277
EARLY RETIREE INSURANCE	1,604	28,317	26,849	3,072
CONNER TRUST FUND	236	1,011	1,000	247
BLACK HAWK POP FUND	580	2,361	2,236	705
BH BOX TOP FUND	1,732	0	749	983
BLACK HAWK PTA	4,000	3,495	4,117	3,378
CORSE POP FUND	4,125	488	57	4,556
GRIMES POP FUND	2,304	2,224	1,410	3,118
GRIMES PTA	0	1,170	1,170	0
GRIMES LANDSCAPING	22	0	0	22
GRIMES TEACER ACT	438	500	471	467
NORTH HILL POP FUND	178	2,263	1,139	1,302
NORTH HILL PTA	974	2,142	2,783	333
NORTH HILL ART GRANT	50	0	0	50
PERKINS POP FUND	623	0	623	0
SUNNYSIDE POP FUND	1,627	5,438	2,678	4,387
SUNNYSIDE EDUCATION	87	0	0	87
JAMES MADISON POP FUND	155	3,433	2,352	1,236
HORACE MANN POP FUND	2,285	0	2,285	0
HORACE MANN WORLD CLASS	402	0	0	402
HM PHYLLIS MCADAMS MEMORIAL	3,694	1,000	4,694	0
OAK STREET POP FUND	1,782	2,492	1,673	2,601
BHS POP FUND	2,150	2,437	3,625	962
BHS ADAMS EX SCH	30,159	715	1,511	29,363
BHS RENAISSANCE	8,837	574	250	9,161
BHS WAGNER MEMORIAL	1,204	142	135	1,211
BHS E BEDELL MEMORIAL	964	11	0	975
BHS HABERICHTER MEMORIAL	764	15	0	779
BHS F STIEFEL MEMORIAL	734	26	0	760
BHS MINORITY SCHOLARSHIP	4,316	76	213	4,179
BHS JOHANNSEN SCHOLARSHIP	6,631	1,085	400	7,316
BHS PERRINE SCHOLARSHIP	2,714	55	150	2,619
BHS W DUKE FIELD IMP	11,741	423	0	12,164
BHS EDUCATIONAL FOUNDATION	345	0	0	345
BHS GREYHOUND GOLD	180	167	347	0
BHS MUSIC PATRONS	421	12,048	11,569	900
BHS HUPPENBAUER SCIENCE	0	10,130	0	10,130

BURLINGTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS  
 YEAR ENDED JUNE 30, 2006

Account	Balance End of Year	Revenues	Expendi- tures	Balance End of Year
BHS COOPER IND	1,491	0	0	1,491
BHS MUSIC CLASS 56	102	0	0	102
BHS ATH TRACK MAINTENANCE	3,380	67	0	3,447
BHS PROJECT CAP/HALL OF FAME	(1,088)	1,409	321	0
BHS ROD BELL ENRICHMENT	0	8,677	4,316	4,361
Total	\$ 159,351	153,413	133,977	178,787

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



BURLINGTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 15,911,175	14,817,806	14,437,893	14,648,537
Tuition	724,325	629,047	400,164	426,775
Other	1,473,875	1,258,664	1,378,640	1,460,100
Intermediate sources	0	1,023	7,334	7,828
State sources	21,905,926	21,108,794	20,775,596	21,957,783
Federal sources	1,879,744	1,974,177	1,772,182	1,589,163
Total	<u>\$ 41,895,045</u>	<u>39,789,511</u>	<u>38,771,809</u>	<u>40,090,186</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 16,027,162	15,527,182	16,072,939	16,192,688
Special instruction	6,197,518	5,993,163	7,665,529	7,439,639
Other instruction	3,736,274	3,640,329	1,798,760	1,845,121
Support services:				
Student services	1,063,366	983,854	960,997	935,391
Instructional staff services	968,943	1,329,455	898,928	826,444
Administration services	3,606,556	2,960,920	2,488,485	2,515,959
Operation and maintenance of plant services	3,472,421	2,923,220	2,828,457	2,933,226
Transportation services	885,422	842,986	772,312	726,649
Other support services	0	0	188,782	170,323
Non-instructional programs	151,791	284,079	447,661	469,116
Other expenditures:				
Facilities acquisitions	2,763,922	4,000,995	8,400,264	8,056,863
Long-term debt:				
Principal	9,818,011	980,000	655,000	630,000
Interest and other charges	314,009	338,113	298,387	252,338
AEA flow-through	1,383,688	1,376,228	1,399,050	1,506,173
Total	<u>\$ 50,389,083</u>	<u>41,180,524</u>	<u>44,875,551</u>	<u>44,499,930</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION	10.550	FY 06	<u>87,800</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 06	146,841
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 06	<u>694,492</u>
			<u>841,333</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	882-D	45,343
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	882-G	1,030,148
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	882-GC	<u>6,112</u>
			<u>1,081,603</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES	84.298	FY 06	<u>15,923</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 06	<u>307,713</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 06	<u>37,228</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 04	7,600
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 05	26,100
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 06	<u>16,404</u>
			<u>50,104</u>
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 06	<u>92,003</u>
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 06	<u>271,680</u>

BURLINGTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT (CONTINUED) :			
AREA EDUCATION AGENCY (CONTINUED) :			
ENHANCING EDUCATION THROUGH TECHNOLOGY (E2T2)	84.318	FY 05	31,500
ENHANCING EDUCATION THROUGH TECHNOLOGY (E2T2)	84.318	FY 06	22,375
			<u>53,875</u>
NATIONAL SCIENCE FOUNDATION:			
EDUCATION AND HUMAN RESOURCES	47.076	FY 05	1,000
TOTAL			<u>\$ 2,840,262</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Burlington Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of the  
Burlington Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Burlington Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 1, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Burlington Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Burlington Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Burlington Community School District and other parties to whom Burlington Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Burlington Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

November 1, 2006

**NOLTE, CORNMAN & JOHNSON P.C.**  
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Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
Burlington Community School District:

Compliance

We have audited the compliance of Burlington Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Burlington Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Burlington Community School District's management. Our responsibility is to express an opinion on Burlington Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Burlington Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Burlington Community School District's compliance with those requirements.

In our opinion, Burlington Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Burlington Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Burlington Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that

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would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Burlington Community School District and other parties to whom Burlington Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be use by anyone other than these specified parties.

  
NOLTE, CORNMAN & JOHNSON, P.C.

November 1, 2006

BURLINGTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No reportable condition in internal control over a major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
  - Individual
    - CFDA Number 84.010 - Title I grants to Local Educational agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Burlington Community School District qualified as a low-risk auditee.



BURLINGTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-06 Photo Image Checks - We noted during our audit that District receives their checks from the bank as photo images showing only the front of the checks. Per Chapter 544D.114 of the Code of Iowa, the District is required to have retained both the front and back of check images.

Recommendation - The District should contact the bank to rectify the situation. The District should receive the photo images showing both the front and back of the checks or the original issued check.

Response - We have notified the bank and they have made the appropriate changes.

Conclusion - Response accepted.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006

Part IV: Other Findings Related to Statutory Reporting

IV-A-06 Certified Budget - District expenditures for the year ended June 30, 2006 exceeded the amount budgeted in the support services function.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The mandated chart of account changes moved more expenditures than expected from instruction to support services. We do not expect this to happen again.

Conclusion - Response accepted.

IV-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-06 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ron Glasgow, Athletic Director Owner of Glasgow's Trophy Shop	Awards	\$6,092

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the athletic director do not appear to represent a conflict of interest.

IV-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.